

Creating and Assessing Candidate Food Service and Retail Beef Demand Indices

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Executive Summary

Motivation and Purpose

Beef demand is critical to understand and monitor as it directly influences overall beef industry prosperity. There currently are few concise measures of beef demand available for the industry. One way to synthesize beef demand is through construction of indexes that track changes in demand over time. An index is appealing because it clearly illustrates beef demand changes over time.

Existing beef demand indexes, though useful, suffer from important limitations. Beef demand indices that measure purchases by market channel and use volume-weighted prices paid by consumers are more accurate and precise than existing beef demand indexes. Furthermore, having indexes that can be updated more frequently and dissected by market channel, product, or region are especially informative about where demand is changing most. Armed with such information, the beef industry could better adjust, target, and monitor progress of product marketing strategies.

The purpose of this study was to assess feasibility of developing new food service and grocery-store beef demand indices and to guide industry on the merits of these indices for future use.

Procedure Overview

The beef demand indexes built and evaluated in this study are novel because data availability has only recently enabled construction and testing of consistent and detailed indexes that use retail scanner and food-service purchase data. A comprehensive approach was taken to build and assess viability of new beef demand indices. The approach included using available data to build indices for each market channel by product type, assessing strengths and weaknesses of each index, and providing recommendations on index use for the industry based on our assessment.

We built and evaluated a total of 59 different demand indexes using retail scanner or food service data. The indexes varied by product aggregation, market channel, and seasonal adjustment. Our assessment of each index included underlying data reliability and consistency; confirmation of the index with fundamental demand principles; stability of the index; and validation of the index relative to other indexes and to external data. We determined that some of the indexes we evaluated are useful and reliable indexes to monitor in the future. We also determined that several of the beef demand indexes that can be constructed from retail scanner and food-service data are not reliable at this time and we would not recommend future investment in monitoring these indexes.

Recommendations

We recommend regular updating and maintaining grocery-store indices using Information Resources, Inc. scanner data for beef in aggregate, both nationally and by region, and separate national indices for *chuck*, *ground*, *loin*, and *round*. We recommend prioritizing these indices as they are most viable and offer valuable demand insights for the industry. We recommend the industry determine how to support maintaining these indices.